

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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Winfield-Mt. Union Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education
(Before September 2006 Election)**

Robin Therme	President	2006
Karl Hester	Vice President	2007
Kim Fenton	Board Member	2008
Karen Jennings	Board Member	2006
Keith Loyd	Board Member (Resigned July 2006)	2007
Rodney Reynolds	Board Member (Appointed July 2006 to fill vacancy until September 2006 election)	2006

**Board of Education
(After September 2006 Election)**

Robin Therme	President	2009
Karl Hester	Vice President	2007
Kim Fenton	Board Member	2008
Karen Jennings	Board Member	2009
Rodney Reynolds	Board Member	2007

School Officials

Lynn Ubben	Superintendent	2007
Carmen Benson	District Secretary/Treasurer and Business Manager	2007
Drew Bracken	Attorney	2007

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Winfield-Mt. Union Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Winfield-Mt. Union Community School District, Winfield, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Winfield-Mt. Union Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2008 on our consideration of the Winfield-Mt. Union Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winfield-Mt. Union Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Winfield-Mt. Union Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,190,426 in fiscal 2006 to \$3,462,631 in fiscal 2007, while General Fund expenditures decreased from \$3,595,207 in fiscal 2006 to \$3,475,352 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$403,380 in fiscal 2006 to a balance of \$390,659 in fiscal 2007, a 3.15% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in tuition and state source revenues during fiscal 2007. The decrease in expenditures can be attributed to decreases in instructional expenses during the year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Winfield-Mt. Union Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Winfield-Mt. Union Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Winfield-Mt. Union Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Winfield-Mt. Union Community School District Annual Financial Report

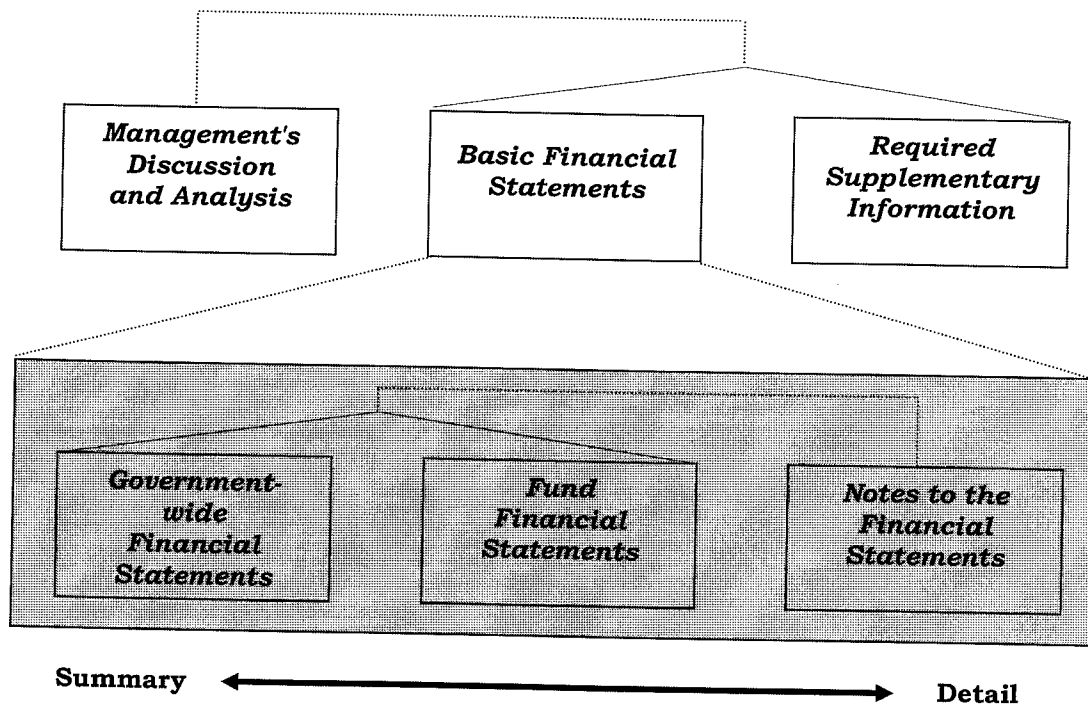


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 3,104,716	2,419,382	24,105	39,014	3,128,821	2,458,396	27.3%
Capital assets	1,289,201	1,127,344	21,765	24,357	1,310,966	1,151,701	13.8%
Total assets	4,393,917	3,546,726	45,870	63,371	4,439,787	3,610,097	23.0%
Long-term obligations	596,575	747,868	0	0	596,575	747,868	-20.2%
Other liabilities	2,284,521	1,588,693	4,516	1,303	2,289,037	1,589,996	44.0%
Total liabilities	2,881,096	2,336,561	4,516	1,303	2,885,612	2,337,864	23.4%
Net assets:							
Invested in capital assets, net of related debt	692,626	454,641	21,765	24,357	714,391	478,998	49.1%
Restricted	441,692	364,262	0	0	441,692	364,262	21.3%
Unrestricted	378,503	391,262	19,589	37,711	398,092	428,973	-7.2%
Total net assets	\$ 1,512,821	1,210,165	41,354	62,068	1,554,175	1,272,233	22.2%

The District's combined net assets increased by \$281,942, or 22.2% compared to the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$77,430, or 21.3% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$30,881, or 7.2%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 774,928	765,781	72,840	79,426	847,768	845,207	0.3%
Operating grants and contributions and restricted interest	421,293	403,743	93,074	80,320	514,367	484,063	6.3%
Capital grants and contributions and restricted interest	20,064	7,085	0	0	20,064	7,085	183.2%
General revenues:							
Property tax	1,180,495	1,231,823	0	0	1,180,495	1,231,823	-4.2%
Local option sales and service tax	201,041	162,688	0	0	201,041	162,688	23.6%
Unrestricted state grants	1,428,071	1,245,623	0	0	1,428,071	1,245,623	14.6%
Other	82,804	42,566	1,073	638	83,877	43,204	94.1%
Total revenues	4,108,696	3,859,309	166,987	160,384	4,275,683	4,019,693	6.4%
Program expenses:							
Governmental activities:							
Instructional	2,539,521	2,703,303	0	0	2,539,521	2,703,303	-6.1%
Support services	1,036,005	1,039,809	0	0	1,036,005	1,039,809	-0.4%
Non-instructional programs	0	0	187,701	162,159	187,701	162,159	15.8%
Other expenses	230,514	190,616	0	0	230,514	190,616	20.9%
Total expenses	3,806,040	3,933,728	187,701	162,159	3,993,741	4,095,887	-2.5%
Changes in net assets	302,656	(74,419)	(20,714)	(1,775)	281,942	(76,194)	-470.0%
Net assets beginning of year	1,210,165	1,284,584	62,068	63,843	1,272,233	1,348,427	-5.7%
Net assets end of year	\$ 1,512,821	1,210,165	41,354	62,068	1,554,175	1,272,233	22.2%

Property tax and unrestricted state grants account for 63.5% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.4% of the revenue from business type activities.

The District's total revenues were approximately \$4.3 million of which \$4.1 million was for governmental activities and less than \$0.2 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.4% increase in revenues and a 2.5% decrease in expenses. The increase in revenues was due to increased local option sales and service tax and unrestricted state grant revenues the District received during fiscal 2007. The decrease in expenses related to decreases in costs for instruction expenses during the year.

Governmental Activities

Revenues for governmental activities were \$4,108,696 and expenses were \$3,806,040.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 2,539,521	2,703,303	-6.06%	1,459,025	1,642,762	-11.18%
Support services	1,036,005	1,039,809	-0.37%	1,036,005	1,039,809	-0.37%
Other expenses	230,514	190,616	20.93%	94,725	74,548	27.07%
Totals	<u>\$ 3,806,040</u>	<u>3,933,728</u>	<u>-3.25%</u>	<u>2,589,755</u>	<u>2,757,119</u>	<u>-6.07%</u>

- The cost financed by users of the District's programs was \$774,928.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$441,357.
- The net cost of governmental activities was financed with \$1,180,495 in local tax, \$201,041 in local option sales and service tax, \$1,428,071 in unrestricted state grants, and \$37,923 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$166,987 and expenses were \$187,701. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Winfield-Mt. Union Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$825,055, below last year's ending fund balances of \$836,432. The main reason for the decrease in fund balances could be attributable to the decrease in General Fund balance.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. An increase in tuition revenues as well as an increase in state grant revenues resulted in an increase in General Fund revenues. Although there was a decrease in General Fund expenditures during fiscal 2007, total expenditures still outpaced revenues thus ensuring the decline in General Fund balance.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased slightly from \$26,222 to \$26,810. The difference between revenues and the transfer to debt service for the bus lease accounted for the gain in PPEL fund balance.
- The Capital Projects fund balance increased from \$152,898 to \$178,794 during the current year, due to increase in local option sales and service tax.
- The Debt Service fund balance increased from \$54,583 to \$54,889 because of normal activities stemming from payment of District debt.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$62,068 at June 30, 2006 to \$41,354 at June 30, 2007, representing a decrease of approximately 33.4%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$130,636 less than budgeted revenues, a variance of 3.1%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$1,310,966 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 13.8% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$412,689.

The original cost of the District's capital assets was \$3,635,974. Governmental funds account for \$3,506,353 million with the remainder of \$129,621 in the Proprietary, School Nutrition Fund.

The largest dollar change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$606,276 at June 30, 2006, compared to \$906,514 reported at June 30, 2007. This increase resulted from purchases made during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 57,263	57,263	0	0	57,263	57,263	0.0%
Buildings	906,514	606,276	0	0	906,514	606,276	49.5%
Improvements other than buildings	133,041	328,255	0	0	133,041	328,255	-59.5%
Machinery and equipment	192,383	135,550	21,765	24,357	214,148	159,907	33.9%
Total	\$ 1,289,201	1,127,344	21,765	24,357	1,310,966	1,151,701	13.8%

Long-Term Debt

At June 30, 2007, the District had long-term debt outstanding of \$596,575 in general obligation bonds and a bus lease. This represents a decrease of approximately 20.2% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$550,000 at June 30, 2007.

At June 30, 2007, the District has one bus lease payment of \$46,575 due during fiscal 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2007	2006	
General obligation bonds	\$ 550,000	675,000	-18.5%
Early retirement	0	103	-100.0%
Bus lease	46,575	72,765	-36.0%
Total	<u>\$ 596,575</u>	<u>747,868</u>	<u>-20.2%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was not aware of any existing circumstances that could significantly affect its financial health in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carmen Benson, District Board Secretary, Winfield-Mt. Union Community School District, 208 S Olive, Winfield, Iowa, 52659.

BASIC FINANCIAL STATEMENTS

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 457,276	0	457,276
Other	1,079,063	22,169	1,101,232
Receivables:			
Property tax:			
Delinquent	28,507	0	28,507
Succeeding year	1,486,526	0	1,486,526
Accounts	420	0	420
Accrued ISCAP interest(Note 4)	137	0	137
Due from other governments	52,787	0	52,787
Inventories	0	1,936	1,936
Capital assets, net of accumulated depreciation(Note 5)	1,289,201	21,765	1,310,966
TOTAL ASSETS	4,393,917	45,870	4,439,787
LIABILITIES			
Accounts payable	331,620	358	331,978
Interest payable	4,860	0	4,860
ISCAP warrants payable(Note 4)	458,000	0	458,000
ISCAP interest payable(Note 4)	117	0	117
ISCAP unamortized premium	3,398	0	3,398
Deferred revenue:			
Succeeding year property tax	1,486,526	0	1,486,526
Unearned revenue	0	4,158	4,158
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds	130,000	0	130,000
Bus lease	46,575	0	46,575
Portion due after one year:			
General obligation bonds	420,000	0	420,000
TOTAL LIABILITIES	2,881,096	4,516	2,885,612
NET ASSETS			
Invested in capital assets, net of related debt	692,626	21,765	714,391
Restricted for:			
Salary improvement program	45	0	45
Additional teacher contract day	724	0	724
Professional development	3,410	0	3,410
Market factor	3,117	0	3,117
Management levy	83,532	0	83,532
Physical plant & equipment levy	26,810	0	26,810
Capital projects	178,794	0	178,794
Debt service	54,889	0	54,889
Other special revenue purposes	90,371	0	90,371
Unrestricted	378,503	19,589	398,092
TOTAL NET ASSETS	\$ 1,512,821	41,354	1,554,175

SEE NOTES TO FINANCIAL STATEMENTS.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Contributions and Restricted Interest	Grants, Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Governmental activities:							
Instruction:							
Regular instruction	\$ 1,600,617	410,443	285,492	0	(904,682)	0	(904,682)
Special instruction	437,948	201,847	20,076	0	(216,025)	0	(216,025)
Other instruction	500,956	162,638	0	0	(338,318)	0	(338,318)
	2,539,521	774,928	305,568	0	(1,459,025)	0	(1,459,025)
Support services:							
Student services	74,760	0	0	0	(74,760)	0	(74,760)
Instructional staff services	75,723	0	0	0	(75,723)	0	(75,723)
Administration services	480,719	0	0	0	(480,719)	0	(480,719)
Operation and maintenance of plant services	261,885	0	0	0	(261,885)	0	(261,885)
Transportation services	142,918	0	0	0	(142,918)	0	(142,918)
	1,036,005	0	0	0	(1,036,005)	0	(1,036,005)
Other expenditures:							
Facilities acquisitions	29,404	0	0	20,064	(9,340)	0	(9,340)
Long-term debt interest	26,793	0	0	0	(26,793)	0	(26,793)
AEA flowthrough	115,725	0	115,725	0	0	0	0
Depreciation(unallocated)*	58,592	0	0	0	(58,592)	0	(58,592)
	230,514	0	115,725	20,064	(94,725)	0	(94,725)
Total governmental activities	3,806,040	774,928	421,293	20,064	(2,589,755)	0	(2,589,755)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	187,701	72,840	93,074	0	0	(21,787)	(21,787)
Total business-type activities	187,701	72,840	93,074	0	0	(21,787)	(21,787)
Total	\$ 3,993,741	847,768	514,367	20,064	(2,589,755)	(21,787)	(2,611,542)
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,005,883	0	1,005,883
Debt services					145,706	0	145,706
Capital outlay					28,906	0	28,906
Local option sales and service tax					201,041	0	201,041
Unrestricted state grants					1,428,071	0	1,428,071
Unrestricted investment earnings					37,923	1,073	38,996
Other					44,881	0	44,881
Total general revenues					2,892,411	1,073	2,893,484
Changes in net assets					302,656	(20,714)	281,942
Net assets beginning of year					1,210,165	62,068	1,272,233
Net assets end of year					\$ 1,512,821	41,354	1,554,175

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Capital Projects	Total Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 457,276	0	0	457,276
Other	667,784	161,343	249,936	1,079,063
Receivables:				
Property tax				
Delinquent	22,841	0	5,666	28,507
Succeeding year	1,270,279	0	216,247	1,486,526
Accounts	420	0	0	420
Accrued ISCAP interest(Note 4)	137	0	0	137
Due from other governments	35,336	17,451	0	52,787
TOTAL ASSETS	\$ 2,454,073	178,794	471,849	3,104,716
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 331,620	0	0	331,620
ISCAP warrants payable(Note 4)	458,000	0	0	458,000
ISCAP accrued interest payable(Note 4)	117	0	0	117
ISCAP unamortized premium	3,398	0	0	3,398
Deferred revenue:				
Succeeding year property tax	1,270,279	0	216,247	1,486,526
Total liabilities	2,063,414	0	216,247	2,279,661
Fund balances:				
Reserved for:				
Debt service	0	0	54,889	54,889
Salary improvement program	45	0	0	45
Additional teacher contract day	724	0	0	724
Professional development	3,410	0	0	3,410
Market factor	3,117	0	0	3,117
Unreserved:				
Undesignated	383,363	178,794	200,713	817,759
Total fund balances	390,659	178,794	255,602	825,055
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,454,073	178,794	471,849	3,104,716

SEE NOTES TO FINANCIAL STATEMENTS.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total fund balances of governmental funds (page 15)	\$ 825,055
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	1,289,201
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(4,860)
Long-term liabilities, including bonds payable and bus leases are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(596,575)
Net assets of governmental activites (page 13)	<u>\$ 1,512,821</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Total Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 945,794	0	234,701	1,180,495
LOSST	0	201,041	0	201,041
Tuition	596,845	0	0	596,845
Other	71,533	21,647	176,862	270,042
Intermediate sources	4,083	0	0	4,083
State sources	1,710,332	0	125	1,710,457
Federal sources	134,044	11,689	0	145,733
Total revenues	3,462,631	234,377	411,688	4,108,696
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	1,650,997	0	20,222	1,671,219
Special instruction	431,126	0	0	431,126
Other instruction	339,143	0	170,415	509,558
	2,421,266	0	190,637	2,611,903
Support services:				
Student services	67,308	0	0	67,308
Instructional staff services	75,723	0	0	75,723
Administration services	430,741	7,127	38,247	476,115
Operation and maintenance of plant services	231,489	8,910	19,871	260,270
Transportation services	133,100	0	7,743	140,843
	938,361	16,037	65,861	1,020,259
Other expenditures:				
Facilities acquisitions	0	192,444	876	193,320
Long-term debt:				
Principal	0	0	151,190	151,190
Interest and fiscal charges	0	0	27,676	27,676
AEA flowthrough	115,725	0	0	115,725
	115,725	192,444	179,742	487,911
Total expenditures	3,475,352	208,481	436,240	4,120,073
Excess (deficiency) of revenues over (under) expenditures	(12,721)	25,896	(24,552)	(11,377)
Other financing sources(uses):				
Transfers in	0	0	33,376	33,376
Transfers out	0	0	(33,376)	(33,376)
Total other financing sources(uses)	0	0	0	0
Net change in fund balances	(12,721)	25,896	(24,552)	(11,377)
Fund balance beginning of year	403,380	152,898	280,154	836,432
Fund balance end of year	\$ 390,659	178,794	255,602	825,055

SEE NOTES TO FINANCIAL STATEMENTS.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17)		\$	(11,377)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>			
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:			
Capital outlays		\$	296,599
Depreciation expense			(132,117)
Loss on asset disposal			(2,625)
			<hr/> 161,857
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.			151,190
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.			883
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.			
Early retirement			<hr/> 103
Changes in net assets of governmental activities (page 14)		\$	<hr/> <hr/> 302,656

SEE NOTES TO FINANCIAL STATEMENTS.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2007

	<u>School Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 22,169
Inventories	1,936
Capital assets, net of accumulated depreciation (Note 5)	21,765
TOTAL ASSETS	<u>45,870</u>
LIABILITIES	
Accounts payable	358
Unearned revenues	4,158
TOTAL LIABILITIES	<u>4,516</u>
NET ASSETS	
Invested in capital assets	21,765
Unrestricted	19,589
TOTAL NET ASSETS	<u><u>\$ 41,354</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2007

	<u>School</u> <u>Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 72,840
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	59,600
Benefits	7,509
Services	1,343
Supplies	115,148
Depreciation	4,101
TOTAL OPERATING EXPENSES	<u>187,701</u>
OPERATING LOSS	<u>(114,861)</u>
NON-OPERATING REVENUES:	
Interest income	1,073
State sources	2,464
Federal sources	90,610
TOTAL NON-OPERATING REVENUES	<u>94,147</u>
Change in net assets	(20,714)
Net assets at beginning of year	<u>62,068</u>
Net assets end of year	<u><u>\$ 41,354</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 74,026
Cash received from miscellaneous operating activities	1,669
Cash payments to employees for services	(67,109)
Cash payments to suppliers for goods or services	(106,712)
Net cash used in operating activities	<u>(98,126)</u>
Cash flows from non-capital financing activities:	
State grants received	2,464
Federal grants received	80,899
Net cash provided by non-capital financing activities	<u>83,363</u>
Cash flows from investing activities:	
Interest on investments	<u>1,073</u>
Cash flows from capital financing activities:	
Purchase of assets	<u>(1,509)</u>
Net decrease in cash and cash equivalents	(15,199)
Cash and cash equivalents at beginning of year	<u>37,368</u>
Cash and cash equivalents at end of year	<u>\$ 22,169</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (114,861)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	9,711
Depreciation	4,101
Increase in inventories	(290)
Increase in accounts payable	358
Increase in unearned revenue	2,855
Net cash used in operating activities	<u>\$ (98,126)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 22,169</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received
Federal commodities valued at \$9,711.

SEE NOTES TO FINANCIAL STATEMENTS

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The Winfield-Mt. Union Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Winfield and Mt. Union, Iowa, and the predominate agricultural territory in Des Moines, Henry, Louisa, and Washington Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Winfield-Mt. Union Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Winfield-Mt. Union Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Des Moines, Henry, Louisa, and Washington County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used for all resources used in the acquisition and construction of capital facilities.

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred,

regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

(2) Cash and Pooled Investments

The District's deposits in bank at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 906,811

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Physical Plant and Equipment Levy	\$ 33,376

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08A	6/27/2007	6/27/2008	\$ 457,276	137	458,000	117

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity in the General Fund for the year ended June 30, 2007 was noted.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.455%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 128,112	1,509	0	129,621
Less accumulated depreciation	103,755	4,101	0	107,856
Business-type activities capital assets, net	\$ 24,357	(2,592)	0	21,765

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 57,263	0	0	57,263
Total capital assets not being depreciated	57,263	0	0	57,263
Capital assets being depreciated:				
Buildings	1,645,699	628,726	0	2,274,425
Land improvements	606,189	128,550	593,360	141,379
Machinery and equipment	926,963	132,683	26,360	1,033,286
Total capital assets being depreciated	3,178,851	889,959	619,720	3,449,090
Less accumulated depreciation for:				
Buildings	1,039,423	328,488	0	1,367,911
Land improvements	277,934	6,875	276,471	8,338
Machinery and equipment	791,413	73,225	23,735	840,903
Total accumulated depreciation	2,108,770	408,588	300,206	2,217,152
Total capital assets being depreciated, net	1,070,081	481,371	319,514	1,231,938
Governmental activities capital assets, net	\$ 1,127,344	481,371	319,514	1,289,201

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 30,081
Special	6,822
Other	3,562
Support services:	
Student	7,452
Administration	4,604
Operation and maintenance	1,615
Transportation	19,089
	<u>73,225</u>
Unallocated depreciation	335,363
Total governmental activities depreciation expense	<u>\$ 408,588</u>
Business-type activities:	
Food services	<u>\$ 4,101</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 675,000	0	125,000	550,000	130,000
Early retirement	103	15,000	15,103	0	0
Bus lease	72,765	0	26,190	46,575	46,575
Total	<u>\$ 747,868</u>	<u>15,000</u>	<u>166,293</u>	<u>596,575</u>	<u>176,575</u>

Early Retirement

The District offers a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-five and must have been employed by the District for a period of ten years. Employees must complete an application to the superintendent for participation in the plan on or before February 1st of the year in which the employee wishes to retire. All applications submitted are subject to approval by the Board of Education. The settlement benefit shall be \$15,000 and may be paid directly to the 403(b) special pay deferral plan or to the health care savings plan. Early retirement benefits are offered for one year only and will be re-evaluated by the Board of Education for subsequent years. Early retirement benefits paid during the year ended June 30, 2007, totaled \$15,103.

General Obligation

Details of the District's June 30, 2007 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue May 27, 1997		
		Principal	Interest	Total
2008	3.00 %	\$ 130,000	16,965	146,965
2009	3.00	135,000	13,065	148,065
2010	3.13	140,000	9,015	149,015
2011	3.20	145,000	4,640	149,640
Total		\$ 550,000	43,685	593,685

Bus Lease

During the year ended June 30, 2006, the District entered into a lease for four buses with Blue Bird Body Company. Lease payments will be made from the Physical Plant and Equipment Levy Fund during the life of the lease.

Details of the District's June 30, 2007 bus lease indebtedness is as follows:

Year Ending June 30,	Interest Rate	Lease dated February 23, 2005		
		Principal	Interest	Total
2008	5.75 %	\$ 46,575	6,097	52,672

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$123,343, \$121,218, and \$119,912, respectively, equal to the required contributions for each year.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: dental, life, and long term disability.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2007 were \$151,664.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

Winfield-Mount Union Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$115,725 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type				Actual
	Actual	Actual	Actual	Original	Final	Variance
Revenues:						
Local sources	\$ 2,248,423	73,913	2,322,336	2,444,731	2,444,731	(122,395)
Intermediate sources	4,083	0	4,083	0	0	4,083
State sources	1,710,457	2,464	1,712,921	1,703,588	1,703,588	9,333
Federal sources	145,733	90,610	236,343	258,000	258,000	(21,657)
Total revenues	4,108,696	166,987	4,275,683	4,406,319	4,406,319	(130,636)
Expenditures:						
Instruction	2,611,903	0	2,611,903	3,441,867	3,441,867	829,964
Support services	1,020,259	0	1,020,259	1,367,075	1,367,075	346,816
Non-instructional programs	0	187,701	187,701	266,743	266,743	79,042
Other expenditures	487,911	0	487,911	541,659	541,659	53,748
Total expenditures	4,120,073	187,701	4,307,774	5,617,344	5,617,344	1,309,570
Excess(deficiency) of revenues over(under) expenditures	(11,377)	(20,714)	(32,091)	(1,211,025)	(1,211,025)	1,178,934
Other financing sources, net	0	0	0	50,000	0	50,000
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(11,377)	(20,714)	(32,091)	(1,161,025)	(1,211,025)	1,228,934
Balance beginning of year	836,432	62,068	898,500	1,171,611	1,171,611	(273,111)
Balance end of year	\$ 825,055	41,354	866,409	10,586	(39,414)	955,823

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant & Equipment Levy	Total Special Revenue	Debt Service	
ASSETS						
Cash and pooled investments	\$ 82,081	90,371	26,112	198,564	51,372	249,936
Receivables:						
Property tax:						
Current year delinquent	1,451	0	698	2,149	3,517	5,666
Succeeding year	40,000	0	28,882	68,882	147,365	216,247
TOTAL ASSETS	\$ 123,532	90,371	55,692	269,595	202,254	471,849
LIABILITIES AND FUND BALANCES						
Liabilities:						
Deferred revenue:						
Succeeding year property tax	\$ 40,000	0	28,882	68,882	147,365	216,247
Total liabilities	40,000	0	28,882	40,000	147,365	216,247
Fund balances:						
Reserved for debt service	0	0	0	0	54,889	54,889
Unreserved fund balances	83,532	90,371	26,810	200,713	0	200,713
Total fund balances	83,532	90,371	26,810	200,713	54,889	255,602
TOTAL LIABILITIES AND FUND BALANCES	\$ 123,532	90,371	55,692	269,595	202,254	471,849

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds					
	Manage- ment Levy	Student Activity	Physical Plant & Equipment Levy	Total Special Revenue	Debt Service	Total Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 60,089	0	28,906	88,995	145,706	234,701
Other	5,220	165,711	5,919	176,850	12	176,862
State sources	32	0	15	47	78	125
TOTAL REVENUES	65,341	165,711	34,840	265,892	145,796	411,688
EXPENDITURES:						
Instruction:						
Regular instruction	20,222	0	0	20,222	0	20,222
Other instruction	0	170,415	0	170,415	0	170,415
Support services:						
Administration services	38,247	0	0	38,247	0	38,247
Operation and maintenance of plant services	19,871	0	0	19,871	0	19,871
Transportation services	7,743	0	0	7,743	0	7,743
Other expenditures:						
Facilities acquisition	0	0	876	876	0	876
Long-term debt:						
Principal	0	0	0	0	151,190	151,190
Interest and fiscal charges	0	0	0	0	27,676	27,676
TOTAL EXPENDITURES	86,083	170,415	876	257,374	178,866	436,240
Excess (deficiency) of revenues over (under) expenditures	(20,742)	(4,704)	33,964	8,518	(33,070)	(24,552)
Other financing sources(uses):						
Transfer in	0	0	0	0	33,376	33,376
Transfer out	0	0	(33,376)	(33,376)	0	(33,376)
Total other financing sources (uses)	0	0	(33,376)	(33,376)	33,376	0
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(20,742)	(4,704)	588	(24,858)	306	(24,552)
Fund balance beginning of year	104,274	95,075	26,222	225,571	54,583	280,154
Fund balance end of year	\$ 83,532	90,371	26,810	200,713	54,889	255,602

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 417	448	710	155
Pep club	951	2,460	1,923	1,488
School projects	(398)	1,500	666	436
Class of 2007	3,381	12,837	15,244	974
Class of 2008	565	8,486	6,959	2,092
Class of 2009	897	515	4	1,408
Class of 2010	423	622	210	835
Class of 2011	189	155	0	344
Class of 2012	208	102	0	310
Class of 2013	0	114	0	114
Home economics	5,121	618	16	5,723
Yearbook	10,511	9,461	10,709	9,263
Honor society	551	4,911	4,675	787
Student council	10,112	9,081	7,964	11,229
Instrumental music	150	5,432	5,095	487
Vocal music	347	2,199	2,305	241
Cafe concert	2,580	1,101	51	3,630
Marketing fundraiser	1,138	1,502	989	1,651
Newsletter	20	0	20	0
Library book fair	1,835	2,513	3,541	807
Elementary misc. banking	3,698	3,186	3,341	3,543
Box tops for education	2,793	212	3,005	0
Elementary yearbook	878	391	233	1,036
High school misc. banking	1,477	4,585	5,652	410
Wolves care club	2,276	6,051	3,763	4,564
Interest	256	3,358	3,590	24
Activity passes	2,081	7,776	9,857	0
Donation	0	13,650	6,822	6,828
HS athletic Misc.	0	255	255	0
Fruit fundraiser	0	9,928	9,928	0
HS football gate	11,326	7,056	10,214	8,168
HS basketball	20,297	16,312	25,595	11,014
HS track	640	3,041	2,712	969
HS cross country	0	200	200	0
HS baseball	600	8,920	8,292	1,228
HS softball	1,990	9,265	8,150	3,105
HS volleyball	4,491	4,038	4,675	3,854
HS golf	0	800	800	0
Cheerleaders	599	710	0	1,309
Drill team	1	920	621	300
Teacher renaissance	1,058	1,000	13	2,045
Fun for kids	1,280	0	1,280	0
Potato bar	336	0	336	0
Total	\$ 95,075	165,711	170,415	90,371

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$	1,381,536	1,394,511	1,250,247	1,323,730
Tuition		596,845	516,973	593,185	605,739
Other		270,042	291,375	247,303	228,234
Intermediate sources		4,083	0	0	0
State sources		1,710,457	1,519,699	1,421,093	1,421,032
Federal sources		145,733	136,751	143,816	138,885
Total	\$	4,108,696	3,859,309	3,655,644	3,717,620
Expenditures:					
Instruction:					
Regular instruction	\$	1,671,219	1,717,084	1,773,320	1,588,181
Special instruction		431,126	467,715	365,738	634,612
Other instruction		509,558	544,939	386,019	359,414
Support services:					
Student services		67,308	62,814	83,102	83,543
Instructional staff services		75,723	87,589	100,837	77,740
Administration services		476,115	475,604	390,379	451,739
Operation and maintenance of plant services		260,270	258,851	226,144	225,627
Transportation services		140,843	154,280	298,932	111,562
Other expenditures:					
Facilities acquisitions		193,320	101,813	86,153	5,241
Long Term Debt:					
Principal		151,190	150,145	153,376	120,000
Interest		27,676	31,533	25,703	28,003
AEA flow-through		115,725	108,983	107,382	110,599
Total	\$	4,120,073	4,161,350	3,997,085	3,796,261

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Winfield-Mt. Union Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Winfield-Mt. Union Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 27, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Winfield-Mt. Union Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Winfield-Mt. Union Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Winfield-Mt. Union Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Winfield-Mt. Union Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Winfield-Mt. Union Community School District's financial statements that is more than inconsequential will not be prevented or detected by Winfield-Mt. Union Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the General Purpose Financial Statements.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Winfield-Mt. Union Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

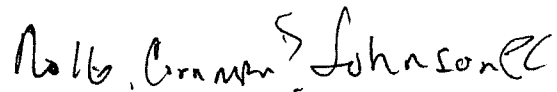
As part of obtaining reasonable assurance about whether Winfield-Mt. Union Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Winfield-Mt. Union Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Winfield-Mt. Union Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Winfield-Mt. Union Community School District and other parties to whom Winfield-Mt. Union Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Winfield-Mt. Union Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2008

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- I-B-07 Student Activity Fund - During our audit we noted that Target and Box Top donations as well as Lifetouch picture commissions were being receipted into the Activity Fund account Elementary Banking.

Recommendation - Donations made to a District should be placed in the most appropriate place based upon the donor request. Target and Box Tops donates to schools for instructional materials and supplies. The most logical place to record the revenue and subsequent purchase would be the General Fund. The District should record future donations from Target and Box Tops in the General Fund. Commissions received by the District should be placed in the General Fund.

Response - The Box Tops donations were moved from the Activity Fund to the General Fund before the end of the fiscal year. Lifetouch and Target donations will be deposited into the General Fund in the future.

Conclusion - Response accepted.

WINFIELD-MT. UNION COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting

- II-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, did not exceed the amount budgeted.
- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Susan Haight, Teacher Spouse owner of Haight Electric	Electrical work	\$1,816
Peg Nelson, Bus Driver Spouse repairs buses	Repair work	\$50

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the District's employee spouses do not appear to represent a conflict of interest.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.